

- REVISED -

August 6, 2002

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**GENERAL OBLIGATION BOND PROPOSAL FOR “EARTHQUAKE AND FIRE
SAFETY BONDS” TO IMPROVE CERTAIN SCIENCE AND CULTURAL FACILITIES
IN LOS ANGELES COUNTY
(ALL DISTRICTS: 3 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve a general obligation bond issue for earthquake and fire safety improvements to certain science and cultural facilities in Los Angeles County in an amount not to exceed \$250.0 million for submission to the voters at the November 5, 2002, general election, to be matched by \$250.0 million in private funding.
2. Adopt the attached Order prepared by County Counsel calling for a special election to be consolidated with the November 5, 2002 general election and instruct the Executive Officer, Board of Supervisors to post and advertise the Order in a newspaper of general circulation.
3. Instruct County Counsel to prepare the impartial analysis of the measure as required by law.
4. Approve the Statement of Compliance with Elections Code Sections 9400 to 9404 as prepared by the Auditor-Controller.
5. Find that the placement of this general obligation bond measure on the November 5, 2002 ballot is exempt from the provisions of the California Environmental Quality Act and will not have an adverse effect on the environment.

PURPOSE/JUSTIFICATION

Approval of the recommended actions will authorize the placement of the County's request to issue up to \$250.0 million in general obligation bonds to fund earthquake and fire safety and other improvements to science-oriented and cultural facilities in Los Angeles County, on the November 5, 2002, general election ballot.

Background

Los Angeles County is home to a large number of cultural and science-oriented facilities that provide children and adults throughout the County with an opportunity to experience and develop an understanding and appreciation of the arts and sciences or offer a venue that illuminates and celebrates the County's cultural history and diversity. The County has identified a number of high-priority projects involving such facilities and venues that entail the design and construction of significant earthquake and fire safety improvements and which lack sufficient funding to proceed. The identified facilities and venues include the following :

- Natural History Museum of Los Angeles County;
- Los Angeles County Museum of Art;
- Music Center of Los Angeles County;
- California State University at Northridge: Performing Arts Center;
- El Pueblo de Los Angeles historic, cultural, and arts complex;
- Los Angeles County High School for the Arts; and
- Performing Arts Center to be constructed in the San Gabriel Valley.

In addition, the need to facilitate the construction of improvements (including earthquake and fire safety improvements) at facilities and venues that are operated by small and medium-sized, non-profit arts organizations, has been identified as a priority throughout Los Angeles County.

Approval of the recommended actions will provide the foundation for financing these essential safety related improvements and help ensure that children and adults in every community can experience and enjoy the sciences, arts, and historic aspects of our culture in a safe and secure environment.

Proposed Financing Program

In order to provide sufficient funding for the earthquake and fire safety improvements as well as the balance of proposed project improvements, it is recommended that the public and private sectors create a partnership. Under the proposed plan, the private sector will

contribute at least \$250.0 million and the public sector will contribute up to \$250.0 million toward the completion of the earthquake and fire safety and related improvements at the identified facilities and projects. The public sector contribution will be contingent upon:

- the successful collection of up to \$250.0 million in private, non-governmental donations to match the public sector's contribution, for improvements at the Natural History Museum, Museum of Art, Music Center, and CSUN Performing Arts Center; and
- approval of the issuance of up to \$250.0 million in County of Los Angeles general obligation bonds by a two-third's majority in the November 5, 2002, general election.

Assuming approval by the electorate, the County will issue general obligation bonds based upon the program's requirements and the private sector's match. In no event, however, will bonds be issued later than November 5, 2012, nor will the aggregate amount of the bonds issued exceed the \$250.0 million authorized by the voters. Proceeds from the sale of the bonds will be deposited into a trust fund maintained by the Auditor-Controller and managed by the Chief Administrative Office. Oversight will be provided by a five-member Citizen's Earthquake and Fire Safety Facilities Bond Oversight Committee (Oversight Committee) that is appointed by your Board. The Oversight Committee will annually report to your Board and the public on the expenditure of bond funds and the performance of commitments required under this program.

Bond Fund Allocations

Bond funds will be allocated pursuant to project agreements that will be developed by the Chief Administrative Office and approved by your Board for each project or program. Allocations will be released from the trust account only to the extent that the required private sector match has been attained. In the case of the Natural History Museum and Museum of Art, a 14.8% overmatch will be required of private donors to obtain the public sector contribution. In essence, private donors for the Natural History Museum or Museum of Art must raise \$1.148 to obtain \$1.00 in public sector bond funds or \$112.5 million to obtain the full public sector contribution of \$98.0 million. The private sector match funds raised for the Natural History Museum, Museum of Art, Music Center, and CSUN - Performing Arts Center may be used for any capital purpose at the respective facilities.

In addition to the match requirements, the Natural History Museum and Museum of Art must commit to increasing free admissions to children and free tours to school children by 50% over their respective 2001-02 levels before bond funds will be allocated to them. These commitments shall be presented to your Board for approval and will be legally binding on the Museums until November 5, 2022.

The following table illustrates the recommended allocations of bond funds and the corresponding match required of private donors.

Facility/Program	Public Sector Contribution	Private Sector Match
Natural History Museum: Exposition Park	\$ 98.0 million	\$112.5 million
Museum of Art	98.0 million	112.5 million
Music Center	10.0 million	10.0 million
CSUN - Performing Arts Center	15.0 million	15.0 million
El Pueblo de Los Angeles historic, cultural & arts complex	15.0 million	--
County Parks & Recreation: Performing Arts Center	8.0 million	--
County Arts Commission: Construction Grant Program	5.0 million	--
County Office of Education: L.A. High School for the Arts	1.0 million	--
Total	\$250.0 million	\$250.0 million

Use of Bond Funds

Transfers or reallocations of bond funds will not be permitted among the identified projects or programs. Use of bond funds will also be restricted in the following manner:

- bond funds allocated to the Natural History Museum, Museum of Art, Music Center, and CSUN - Performing Arts Center may only be used to fund seismic, fire and life safety, and associated improvements;
- bond funds allocated to the Plaza de Cultura y Arte Foundation, which is proposed to develop the El Pueblo de Los Angeles historic, cultural, and arts complex, County Parks and Recreation Department, and County Office of Education may be utilized to fund earthquake, fire safety, and other improvements; and
- bond funds allocated to the Arts Commission will be used to fund grants to small and medium-sized non-profit organizations for capital construction of earthquake, fire safety, and other improvements.

All bond funds must be allocated by November 5, 2012. Any bond proceeds remaining in the trust fund subsequent to that date will be applied to the defeasance of outstanding bonds.

FISCAL IMPACT/FINANCING

The proposed financing plan for the public sector contribution of \$250.0 million to the Program presumes the issuance of general obligation bonds by the County. The bonds will be issued through a single or multiple series of issues. The maximum interest rate permitted under current State law on the proposed bond issue(s) is 12.0% per annum. Based on current market interest rates, the average annual debt service on \$250.0 million is estimated at \$15.9 million. Total debt service over the 30 year term of the bonds is estimated at \$478.1 million.

Annual debt service costs will be paid from an increase in the ad valorem tax rate that must be approved by a two-third's majority of the electorate in the November 5, 2002, general election. It is currently estimated that a first-year tax rate levy of \$0.002863 per \$100 of assessed valuation will be required to fund a cash reserve and meet annual debt service. It is anticipated that this would be the highest tax rate required to meet the annual debt obligation and is expected to decline thereafter as assessed values continue to grow. The Auditor-Controller has estimated the effect of this tax levy on an assessed home value of \$250,000 to be \$6.96 the first year and \$6.04 the second year.

In accordance with the State Election Code, the Auditor-Controller has prepared a statement of the estimated tax rate impact for inclusion in the sample ballot which is attached for your Board's approval.

FACTS/LEGAL PROVISIONS

Approval of the recommended actions is required on today's agenda in order to place the request for authorization to issue \$250.0 million in general obligation bonds on the November 5, 2002, general election.

The attached Order provides for a special bond election to be consolidated with the November 5, 2002, general election, as required under Government Code Section 29900 et. seq. and Election Code Sections 23301, 23301.5, and 23302.

IMPACT ON CURRENT SERVICES

Approval of the recommended actions will enable the County to pursue funding for capital improvements that will enhance the safety and security of cultural, science, and fine arts facilities in Los Angeles County.

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NEGATIVE DECLARATION/ENVIRONMENTAL IMPACT REPORT

Actions which result in the repair or replacement of facilities which have been damaged by the Northridge Earthquake are statutorily exempt from the California Environmental Quality Act (CEQA). Restoration or rehabilitation of facilities to meet public health and safety standards may be categorically exempt from CEQA. Further, approval of the recommended actions will have no effect on the environment since construction has yet to be authorized on any of the proposed projects. The appropriate environmental documents will be prepared by the appropriate agency prior to the initiation of each project's implementation.

CONCLUSION

Please provide one adopted copy of this letter to the Auditor-Controller Accounting Division, Chief Administrative Office Capital Projects Division, County Counsel, and Treasurer and Tax Collector Public Finance Division.

Respectfully submitted,

DAVID E. JANSSEN
Chief Administrative Officer

DEJ:SRH
SNY:DJT

Attachments

c: Executive Officer, Board of Supervisors
Auditor-Controller
County Counsel
Treasurer and Tax Collector

ORDER OF THE BOARD OF SUPERVISORS
OF THE COUNTY OF LOS ANGELES
CALLING, PROVIDING FOR AND GIVING
NOTICE OF A SPECIAL BOND ELECTION
TO BE HELD IN THE COUNTY ON
NOVEMBER 5, 2002, AND CONSOLIDATING
THE SPECIAL BOND ELECTION WITH THE
GENERAL ELECTION TO BE HELD ON
NOVEMBER 5, 2002

WHEREAS, it is necessary and desirable that the County of Los Angeles incur bonded indebtedness to provide funds for extensive capital improvements to ensure fire and seismic safety at the County's two major museums, and for improving the fire and seismic safety features in and providing science, arts and cultural facilities throughout the County to ensure a safe and secure environment for all adults and children in the County in which to experience science and the arts ; and

WHEREAS, it is desirable to submit the question of incurring the bonded indebtedness to the qualified voters of the County at a special bond election to be held November 5, 2002, and to consolidate such election with the General Election to be held on that date;

NOW, THEREFORE, IT IS HEREBY ORDERED by the Board of Supervisors of the County of Los Angeles as follows:

Section 1. That a special bond election be held and the same is hereby called and ordered to be held in Los Angeles County on the 5th day of November, 2002, for the purpose of submitting to the voters of the County the question of incurring a bonded indebtedness and issuing bonds of the County therefor in the amount of Two Hundred Fifty Million Dollars (\$250,000,000) for the following purposes:

1. Allocation of Bond Monies

a. \$98 million of the Earthquake and Fire Safety Bond monies shall be allocated to the Natural History Museum of Los Angeles County for seismic, fire and life safety, and associated work at its Exposition Park facility, to be matched with contributions from non-governmental sources made on or after July 1, 2002; which match may be used for any capital improvements at the Museum. The rate of the match shall be 1.148:1, requiring \$1.148 in private contributions for every \$1.00 in bond funds, or \$112.5 million in private contributions for the full \$98 million in bond funds. If the Natural History Museum of Los Angeles County has not matched all of the amount allocated to it by November 5, 2012, the unmatched amount shall be forfeited. Such amount shall no longer be allocable to the Natural History Museum of Los Angeles County, or to any other project funded under this measure. All funds allocated to the Natural History Museum of Los Angeles County shall be disbursed and expended in accordance with a Project Agreement to be approved by the Board of Supervisors.

b. \$98 million of the Earthquake and Fire Safety Bond monies shall be allocated to the Los Angeles County Museum of Art for seismic, fire and life safety, and associated work at the Museum, to be matched with contributions from non-governmental sources made on or after July 1, 2002; which match may be used for any capital improvements at the Museum. The rate of the match shall be 1.148:1, requiring \$1.148 in private contributions for every \$1.00 in bond funds, or \$112.5 million in private contributions for the full \$98 million in bond funds. If the Los Angeles County Museum of Art has not matched all of the amount allocated to it by November 5, 2012, the unmatched amount shall be forfeited. Such amount shall no longer be

allocable to the Los Angeles County Museum of Art, or to any other project funded under this measure. All funds allocated to the Los Angeles County Museum of Art shall be disbursed and expended in accordance with a Project Agreement to be approved by the Board of Supervisors.

c. \$10 million of the Earthquake and Fire Safety Bond monies shall be allocated to The Music Center of Los Angeles County for seismic, fire and life safety, and associated work at The Music Center; to be matched on a one-for-one basis with contributions from non-governmental sources made on or after July 1, 2002 (one dollar of private contributions for every one dollar of bond money); which match may be used for any capital improvements at The Music Center. If The Music Center of Los Angeles County has not matched all of the amount allocated to it by November 5, 2012, the unmatched amount shall be forfeited. Such amount shall no longer be allocable to The Music Center of Los Angeles County, or to any other project funded under this measure. All funds allocated to The Music Center of Los Angeles County shall be disbursed and expended in accordance with a Project Agreement to be approved by the Board of Supervisors.

d. \$15 million of the Earthquake and Fire Safety Bond monies shall be allocated to California State University Northridge (CSUN) for seismic, fire and life safety, and associated work at a new Performing Arts Center, to be matched on a one-for-one basis with contributions from non-governmental sources made on or after July 1, 2002 (one dollar of private contributions for every one dollar of bond money); which match may be, or be used for, any capital expenditure at the new Performing Arts Center. All funds allocated to California State

University Northridge shall be disbursed and expended in accordance with a Project Agreement to be approved by the Board of Supervisors. If CSUN has not matched all of the amount allocated to it by November 5, 2012, the unmatched amount shall be forfeited. Such amount shall no longer be allocable to CSUN or to any other project funded under this measure.

e. \$15 million of the Earthquake and Fire Safety Bond monies shall be allocated to Plaza de Cultura y Arte Foundation for fire, seismic safety and other improvements required to create a cultural and arts complex on County owned property in the area of the El Pueblo de Los Angeles historical district. All funds allocated to Plaza de Cultura y Arte Foundation shall be disbursed and expended in accordance with a Project Agreement to be approved by the Board of Supervisors. Funds not disbursed in accordance with the Project Agreement by November 5, 2012 shall no longer be allocable to this project or to any other project funded under this measure.

f. \$8 million of the Earthquake and Fire Safety Bond monies shall be allocated to the Los Angeles County Department of Parks and Recreation for construction of fire, seismic safety and other features at a Performing Arts Center to be built in the San Gabriel Valley portion of Los Angeles County. All funds allocated to the Los Angeles County Department of Parks and Recreation shall be disbursed and expended in accordance with a Project Agreement to be approved by the Board of Supervisors. Funds not disbursed in accordance with the Project

Agreement by November 5, 2012 shall no longer be allocable to this project or to any other project funded under this measure.

g. \$1 million of the Earthquake and Fire Safety Bond monies shall be allocated to the Los Angeles County Office of Education for fire, seismic safety and other capital construction needs at the Los Angeles County High School for the Arts. All funds allocated to the Los Angeles County Office of Education shall be disbursed and expended in accordance with a Project Agreement to be approved by the Board of Supervisors. Funds not disbursed in accordance with the Project Agreement by November 5, 2012 shall no longer be allocable to this project or to any other project funded under this measure.

h. \$5 million of the Earthquake and Fire Safety Bond monies shall be allocated to the Los Angeles County Arts Commission for acquisition, fire and seismic safety, and other capital construction grants to small and medium-sized non-profit arts organizations throughout Los Angeles County. The Los Angeles County Arts Commission shall develop for Board of Supervisors approval, a competitive process for the selection of grantees. All funds granted to arts organizations under this subsection shall be disbursed and expended in accordance with Project Agreements to be approved by the Board of Supervisors. All funds allocated to the Los Angeles County Arts Commission shall be disbursed to grantees by November 5, 2012.

2. Additional Provisions Governing Allocations

a. Bonds will be issued from time to time and in such amounts as the Board of

Supervisors determines necessary to fund all projects by November 5, 2012. Bond proceeds which have not been distributed to grantees as of November 5, 2012 shall be used only to defease the bonds. All bonded indebtedness shall be for the acquisition or improvement of real property, pursuant to Article XIIA of the California Constitution. All bonding authority under this measure shall cease as of November 5, 2012.

b. Project Agreements for the Natural History Museum of Los Angeles County, the Los Angeles County Museum of Art, The Music Center of Los Angeles County and California State University Northridge shall provide that each grantee may receive bond funds in any amount, until the total amount allocated to each has been received, or until November 5, 2012, whichever is earlier; upon verification by the Los Angeles County Auditor-Controller that the private fundraising arm of each grantee has received the required match from non-governmental sources (for NHM and LACMA, \$1.148 in private donations for every \$1 in bond funds; for The Music Center and CSUN, \$1 in private donations for every \$1 in bond funds).

c. Bond funds shall not be distributed to either the Natural History Museum of Los Angeles County or the Los Angeles County Museum of Art unless that Museum has signed a legally binding commitment concerning admission prices and school tours, which agreement has been approved by the Board of Supervisors. Each Museum must commit to providing 50% more free admissions to children than were provided during fiscal year 2001-02. Additionally, each Museum must commit to providing tours to 50% more school children (elementary, middle and

secondary) than the number of children so served during fiscal year 2001-02, which tours must always be free of charge. The duration of each Museum's commitment shall be for a minimum of twenty years, until November 5, 2022.

3. Oversight Committee

The Board of Supervisors shall appoint a five-member Citizens= Fire and Seismic Safety Bond Oversight Committee whose duty shall be to oversee and to report to the public on the expenditure of all Bond funds and the performance of all commitments undertaken pursuant to this measure. The Committee shall meet at least twice each year through 2012, and at least annually thereafter, through 2022, or until all Project Agreements under this measure are completed, whichever is later. The Committee shall issue a written report to the public at least annually. Staff assistance shall be provided to the Committee by the Executive Officer of the Board of Supervisors, the Chief Administrative Officer, the County Auditor-Controller and the County Arts Commission.

Section 2. That the Proposition for the incurring of such bonded indebtedness shall appear upon the ballot substantially as follows:

EARTHQUAKE AND FIRE SAFETY BOND. To ensure that the Natural History Museum and other County Museums meet strict earthquake and fire safety standards, generate at least 250 million dollars in private donations for these facilities, provide 50% more free admissions for student groups and children, and

assure fire and earthquake safe science and arts education facilities, shall the County issue up to 250 million dollars in bonds on the condition that the private donations be received first, with review by an Independent Oversight Committee?

"Bonds - Yes"

"Bonds - No"

Section 3. The votes cast for and against the Proposition shall be separately counted and if the Proposition receives two-thirds of the votes of the qualified electors voting on the Proposition, bonds of the County in an amount not exceeding the principal amount stated in the Proposition shall be issued and sold for the purposes stated in the Proposition. Interest on the bonds shall not exceed the maximum rate permitted by law per annum, payable semi-annually, except that interest for the first year after the date of the bonds may be made payable at the end of said year.

Section 4. All qualified voters of the County of Los Angeles shall be permitted to vote in the election and in all particulars not recited in this order the election shall be held as nearly as practicable in conformity with the General Election Law of the State of California.

Section 5. The special election shall be consolidated with the statewide general election to be held on Tuesday, November 5, 2002. The Proposition shall be

placed upon the same ballot as that provided for the general election. The precincts, polling places, and precinct board members shall be the same as provided for the general election.

Section 6. The Chairman and the Executive Officer of the Board of Supervisors are hereby authorized and directed in accordance with the provisions of Section 29906 of the Government Code to cause this order to be published in the _____, a newspaper of general circulation published in the County of Los Angeles once a week for at least four weeks prior to the date of the special bond election. No other notice of such election need be given.

The foregoing order was on the ____ day of _____, 2002, adopted by the Board of Supervisors of the County of Los Angeles and ex officio the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.

VIOLET VARONA-LUKENS, Executive Officer-
Clerk of the Board of Supervisors of
the County of Los Angeles

By _____
Deputy

Approved as to Form:
LLOYD W. PELLMAN
County Counsel

By _____
Chief Deputy

